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BUDGET ANALYST

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June 9, 2003

able Jake McGoldrick,
Chair of the Land Use Committee,
Members of the Board of Supervisors
and County of San Francisco
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Supervisor McGoldrick and Members of the Board of Supervisors:

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CITY OF SAN FRANCISCO
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Dear Supervisor McGoldrick and Members of the Board of Supervisors:

A motion was adopted by the Board of Supervisors on March 25, 2003, directing the Budget Analyst to analyze the Department of Human Services (DHS) plans for implementation of Proposition N. Proposition N, an initiative petition approved by the San Francisco electorate in November of 2002, adjusts services and payments to homeless individuals and is otherwise known as Care Not Cash. The provisions of Proposition N were to be implemented on or before July 1, 2003.

The following report by the Budget Analyst was prepared pursuant to Board of Supervisors Motion MO3-54, which directed the Budget Analyst to analyze the DHS and/or the Mayor's Office responses to an inquiry letter requesting detailed information on DHS' plans for implementation of Proposition N. The DHS written response dated April 24, 2003, provided by Mr. Trent Rhorer, Executive Director of DHS, is attached to this report as Attachment I. The Mayor's Office deferred to DHS to provide a written response and did not separately respond to the Board of Supervisors inquiry.

The inquiry letter requested DHS "To explain in specific detail and in writing how the Department of Human Services will implement the mandates of Proposition N,

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in order to meet the deadline of July 1, 2003, as specified in the initiative.” DHS’ April 24, 2003 response contained broad policy goals and generalizations rather than providing specific details on how Proposition N would be implemented. The Budget Analyst notes that DHS’ response makes a significant, but unspoken assumption that many of the homeless individuals targeted by Proposition N will continue to refuse housing and meals or will abandon the City’s assistance programs altogether because their monthly cash assistance payments will be reduced. However, DHS’ response is totally silent in explaining this major underlying assumption that DHS is using for implementation of Proposition N. Furthermore, DHS’ initial response did not address some of the basic parameters of Proposition N, such as:

- How and where the total homeless population targeted by Proposition N will be guaranteed housing;
- How and where the target population will be provided meals; and
- How the baseline appropriation of an estimated \$13,904,979 will be spent on homeless services, including housing, meals and other support services.

Because the initial response lacked detail to enable the Budget Analyst to perform an analysis, further inquiries to DHS were made, including two written requests for information from DHS and numerous phone calls. The information requested by the Budget Analyst did not require complex calculations or any further data collection by DHS. These inquiries by the Budget Analyst’s Office yielded additional information submitted by DHS, including the details provided in Attachments II through IX to this report.

The contents of some of this additional information provided by DHS, at the Budget Analyst’s request, significantly deviated from the original response from DHS. For example, DHS’ subsequent response included 991 additional hotel units, or 209 percent more than the 321 additional hotel units initially identified by DHS that would be provided in FY 2003-2004. According to DHS, the 321 hotel units initially identified were based on formal proposals received by DHS. The 991 additional hotel units included the 321 previously identified units plus another 670 hotel units. DHS advises that these 670 additional hotel units are based on informal proposals received, the projected need for additional hotel units and projections of the funding available. According to DHS, this information subsequently provided to the Budget Analyst complements, rather than deviates from previous information provided by DHS. However, the Budget Analyst notes that this additional information, which was not included in the initial written response provided by DHS, contained a

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significant and greatly expanded housing component of DHS' implementation plan which should have been included in the initial response. As another example of the discrepancies in DHS' response to the Budget Analyst, DHS initially made no reference to adding shelter beds pursuant to Proposition N. However, in a subsequent response by DHS, DHS identified 165 new shelter beds that would be added in FY 2003-2004. It is unclear as to why DHS omitted this information in the earlier responses provided to the Budget Analyst. According to DHS, the information on additional shelter beds was not specifically requested in the inquiry letter from the Board of Supervisors but rather was subsequently provided by DHS in response to specific questions from the Budget Analyst. However, this information on shelter beds is also a significant housing component of DHS' implementation plan and clearly should have been included in the initial response to the Board of Supervisors since the Board requested "specific detail" as to how DHS will implement the mandate of Proposition N.

Proposition N

Proposition N, which was approved by San Francisco voters in November of 2002, requires the City and County (City) of San Francisco to provide housing, utilities and meals to all homeless adults receiving cash assistance payments from the City and to reduce the cash assistance received by such adults by the value of the housing, utilities and meals made available, regardless of whether the housing, utilities and meal services are used¹. In accordance with the provisions of Proposition N, cash payments to homeless individuals would be reduced from a maximum of \$320 or \$395, depending on the cash assistance program in which the individual is enrolled, to a minimum of \$59 per month.

Additionally, Proposition N requires that a baseline appropriation be established at the amount appropriated in the FY 2002-2003 DHS budget for cash assistance payments to homeless individuals. According to DHS, an estimated \$13,904,979 was appropriated for cash assistance payments to homeless individuals in the FY 2002-2003 DHS budget. Pursuant to Proposition N, this baseline appropriation of \$13,904,979 will be used to provide housing, meals, other support services, and reduced direct cash assistance to homeless persons, instead of only providing homeless individuals with direct cash assistance with these funds.

¹ For purposes of this report, utilities are included in the housing component of Proposition N and not specifically addressed in the Budget Analyst's assessment of DHS' plans for implementation of Proposition N.

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The provisions of Proposition N are to become operative on or before July 1, 2003. However, if the City is unable to provide housing and meals to homeless individuals as of July 1, 2003, pursuant to Proposition N, the value of these services is required to continue to be provided as direct cash assistance. Proposition N does not require that other support services, such as substance abuse treatment and mental health services, be provided on or before July 1, 2003, or that reductions be made from individual's cash payments for the value of these other support services.

On May 8, 2003, the San Francisco Superior Court invalidated the sections in Proposition N applying to the General Assistance program. The Court ruled that under State law, the Board of Supervisors alone can set the standards for care and relief for General Assistance recipients. According to the Court order, the State delegation of authority in this area of State-wide concern to the Board of Supervisors is exclusive and, therefore, the voters may not exercise this power. Proposition N's application to the other three county cash assistance programs to homeless adults (see below) remains in effect. According to Mr. Dennis Herrera, the City Attorney, the City will appeal the Superior Court decision. Given the uncertainties surrounding Proposition N, including the Superior Court's recent decision, the appeals process, and any legislative action that may be taken by the Board of Supervisors², this report on the implementation of Proposition N analyzes DHS' plans for implementation for the entire population of homeless individuals receiving cash assistance from the City, including individuals enrolled in the General Assistance program.

Homeless Population and Cash Assistance Programs

The Mayor's Office of Homelessness' *2002 Homeless Count Report* dated November 18, 2002 reports that the City's homeless population included 8,640 persons. The *2002 Homeless Count Report* specifically identifies 954 persons as children, youth or families in shelter or transitional housing, providing a rough approximation of the balance of 7,686 homeless adults that are not in a family unit. According to Attachment I, provided by DHS, there are currently an estimated 2,800 homeless adults receiving cash assistance from the City, which is an estimated 36.4 percent of the total estimated homeless adult population of 7,686. Therefore, the Budget Analyst notes that Proposition N only addresses approximately 2,800 or 36.4

² Files 03-0848 and 03-0871 are ordinances related to Proposition N that are currently pending in the Board of Supervisors Rules Committee.

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percent of the estimated 7,686 homeless adults and an estimated 4,886 homeless adults, or 63.6 percent of the total homeless adult population, are not addressed by the provisions of Proposition N. As also noted in Attachment I, Proposition N will not impact adults who receive cash assistance from the City, but who are not homeless.

DHS currently provides cash assistance to the estimated 2,800 homeless adults through four City programs. The four adult assistance programs are as follows: (a) Personal Assisted Employment Services (PAES), which is the City's welfare-to-work program for single adults; (b) Cash Assistance Linked to Medi-Cal (CALM), which targets individuals who meet the age and disability requirements for Medi-Cal but do not qualify for Supplemental Security Income; (c) Supplemental Security Income Pending (SSIP), which provides assistance to individuals with a verified disability expected to last 12 or more months and who have pending Supplemental Security Income applications or appeals; and (d) General Assistance (GA), which is the State-mandated "safety-net" program for indigent adults who are ineligible for, or who decline cash assistance from the other three programs. These four DHS programs are specifically for indigent adults and do not enroll families or youth, who are enrolled in other targeted assistance programs.

Currently, up to \$320 in cash payments per month are provided to individuals enrolled in the General Assistance program and up to \$395 in cash payments per month are provided to individuals enrolled in the other three adult assistance programs. According to Mr. Steve Arcelona, Chief of Staff of DHS, approximately 41 percent, or 1,150 individuals, of the estimated 2,800 homeless adults receiving cash payments are enrolled in the City's General Assistance program. All cash payments provided by the City's four adult cash assistance programs are made from General Fund monies appropriated by the Board of Supervisors in the DHS budget.

Attachment II provided by DHS compares the maximum monthly cash assistance payments in San Francisco at \$395 and the proposed Proposition N payments at \$59 to seven other counties in California, including five other Bay Area counties and Los Angeles and Orange counties. This comparison shows that all of the seven surveyed California counties have lower monthly cash payments than San Francisco's \$395 maximum monthly payment. Attachment II also identifies additional restrictions, including time limits or reduced cash benefits specifically for homeless individuals that are currently imposed by these seven other California counties.

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Housing Programs

Pursuant to Proposition N, DHS plans to expand housing for homeless individuals with (1) short-term emergency housing and (2) long-term permanent housing. According to DHS, the City's shelter bed system is intended to provide short-term emergency housing assistance to homeless individuals. Attachment III provided by DHS is a list of the City's ten existing adult shelters, including the number of beds and meals available at each shelter and the funding levels in FY 2002-2003. As shown in Attachment III, in FY 2002-2003, the City is providing 1,419 adult shelter beds at a cost of \$6,962,776 or an average of approximately \$4,907 per shelter bed.

The City's Master Lease Hotel Program, which leases and manages hotel units in private, single-room occupancy hotels, is used to provide long-term permanent housing. Attachment IV provided by DHS identifies the name and locations of the six hotels, utilized by DHS, including the total number of units, the current vacancies, and the monthly rental rates in each of these hotels under the City's existing Master Lease Hotel Program. As shown in Attachment IV, there are currently 848 single-room occupancy hotel units in the City's Master Lease Hotel Program. Of this total, 45 hotel units are funded through a Federal grant but are still considered part of DHS' Master Lease portfolio. Therefore, the City currently has a total of 2,267 shelter beds and hotel units (1,419 shelter beds plus 848 hotel units) which can be used to serve the City's adult homeless population. DHS advises that in addition to the 848 Master Lease hotel units there are approximately 2,200 housing units funded through DHS' supportive-housing grants and approximately 400 housing units funded by the Department of Public Health. According to DHS, many of these units are also available to homeless adults receiving cash assistance.

According to Attachment I, DHS reports that an estimated 750 persons or approximately 26.8 percent of the 2,800 homeless adults receiving cash assistance currently use shelter services. The balance of approximately 2,050 homeless adults³ currently receiving cash assistance from the City are not receiving housing services. According to Mr. Phil Arnold, DHS Director of Finance and Planning, once an individual is housed in a hotel unit through the Master Lease Hotel Program, he or

³ This estimate of 2,050 homeless adults requiring housing is based on 2,800 homeless adults receiving cash assistance less 750 homeless adults using shelter services.

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she is no longer considered homeless by DHS and cash assistance would be re-established at the full amount of up to a maximum of \$320 to \$395 per month.

Master Lease Hotel Program

According to Mr. Rhorer, DHS plans to increase housing for homeless adults receiving cash assistance by expanding the Master Lease Hotel Program. As discussed in Attachment I, it is the intent of DHS to move homeless adults, who are currently in the shelter system and who would be better served by placement in a longer-term residence, to the hotel units provided under the Master Lease Hotel Program. According to DHS, this would then increase the space available in the short-term emergency shelters for homeless adults who receive cash assistance from the City and who will require guaranteed housing pursuant to Proposition N. According to Attachment I, DHS is in the process of adding 321 hotel units, which have 221 current vacancies through the Master Lease Hotel Program.

However, the Budget Analyst made a subsequent inquiry to DHS for more details regarding these additional 321 hotel units. The DHS response to the Budget Analyst inquiry is contained in Attachment V, which identifies not the previously reported 321 hotel units, but rather 991 additional hotel units to be added, which is 670 units or 209 percent more hotel units than were identified in Attachment I provided by DHS to the Budget Analyst. As previously stated, according to DHS, the 321 units were based on formal proposals and the additional 670 units are based on informal proposals, projections of need and projections of available funding. However, DHS did not provide any documentation to the Budget Analyst to support their projections for the additional 670 units which were based on "informal proposals". Yet, the data pertaining to the "informal proposals," submitted by DHS to the Budget Analyst subsequent to the Budget Analyst's draft report being submitted to DHS, are now being represented by DHS as part of the basis of DHS' overall implementation plan for Proposition N. These additional 670 hotel units, based on "informal proposals", using the terminology of DHS, are a very important and significant addition to the housing component of the DHS implementation plan which clearly should have been included in the DHS initial response to the Board of Supervisors.

Of the additional 991 hotel units contained in Attachment V, only 391 hotel units are specifically identified, with the balance of 600 cited as "Additional Master Lease Units". Mr. Arcelona advises that DHS is in various stages of contract negotiation with hotel owners for these 391 additional hotel units. Further, DHS states in Attachment V that "DHS is currently in negotiation to bring the additional 600

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units on board during FY03-04.” However, DHS did not provide the Budget Analyst with any details, including the names of the hotels which DHS is negotiating with for the 600 additional hotel units.

Of the 391 hotel units specifically identified, DHS noted that 231 of these hotel units are currently vacant and therefore available for occupancy for City use. According to Mr. Arnold, the remaining 160 hotel units, of the 391 units specifically identified by DHS, that are not currently vacant, are not available for City use until the current occupants vacate the units. As shown in Attachment V, of the 231 currently vacant hotel units, 65 units are currently available, an additional 60 units will be available by July 1, 2003, and another 106 units will be available by October 1, 2003. Mr. Arnold states that DHS does not have any projections for when the remaining 160 hotel units will be available to the City for use because DHS does not have any historical data on turnover rates for these new hotel units. However, the Budget Analyst notes that these dates of availability are significantly different than the dates reported in Attachment I, wherein DHS reported that 65 hotel units would be available by June 1, 2003, an additional 20 units would be available by July 1, 2003, 56 units would be available by October 1, 2003 and 80 of 221 hotel units would not be available until January 1, 2004. According to DHS, there is actually no difference in these dates. DHS notes that the 65 hotel units shown in Attachment V as currently available are the same as the 65 units shown in Attachment I as being available on June 1. DHS reports that these 65 units are currently under contract and the timing of the availability of the additional hotel units is dependent on the approval of additional contracts, which is why the dates may vary. The Budget Analyst concludes that the changing dates of availability, as reported by the DHS to the Budget Analyst, when combined with the DHS changes in reporting to the Budget Analyst with respect to the number of hotel units added to the Master Lease Hotel Program, make it evident that DHS’ plan to implement Proposition N is still in flux and both specific and significant details cannot be confirmed.

Using data in Attachment VI provided by DHS, the Budget Analyst estimates that DHS would need to allocate \$2,724,546 from the \$13,904,979 baseline appropriation in FY 2003-2004 to fund an additional 391 hotel units to be added through the Master Lease Hotel Program, an average of \$6,968 per hotel unit. The initial inquiry from the Board of Supervisors requested that DHS provide details on the “Projected numbers of persons who will be affected by proposed changes in policies with an explanation of such effects.” A complete analysis of the effects of funding these 391 hotel units (of which DHS reports that only 231 are currently vacant) on

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homeless adults receiving cash assistance cannot be conducted, given the data provided by DHS. According to DHS, there is no relationship in the DHS financing plan between the amount of an individual's cash assistance and the cost of a Master Lease hotel unit. Further, DHS advises that a Master Lease hotel unit costs more than an individual's cash assistance grant. Therefore, DHS states that it is inaccurate to assume a one-for-one relationship between reduced cash assistance and the number of Master Lease hotel units added. However, the Budget Analyst notes that comparing the housing and meals to be provided with the amount of the reduced cash assistance to homeless adults is essential to understand because Proposition N reduces cash assistance in exchange for guaranteed housing and meals and potential other services, providing either a positive or negative impact on the homeless adults.

According to Attachment VII, DHS will be allocating a total of \$4,495,140 from the \$13,904,979 baseline appropriation in the FY 2003-2004 DHS budget for the expansion of the Master Lease Hotel Program. The \$4,495,140 budget request includes \$2,724,546 for the above noted 231 vacant hotel units, \$1,575,730 for the prorated cost for approximately 600 unidentified hotel units, and \$194,864 for program support and move-in costs. These funds would be used by DHS to expand the City's Master Lease Hotel Program from 803 beds now costing a total of \$4,622,010 annually to 1,794 beds, an increase of 991 hotel units, which would cost a total of \$8,922,286 in FY 2003-2004, as shown in Attachment VI⁴. According to DHS, of this total cost, \$4,622,010 is already included in the DHS FY2002-2003 budget for housing, which is therefore separate from the proposed Proposition N implementation budget.

Annually, the cost for these 1,794 hotel units will be significantly more than \$8,922,286 given that the FY 2003-2004 budget includes the cost of approximately 600 hotel units for only a portion of FY 2003-2004. According to Attachment VII, of the total 600 hotel units, approximately 200 hotel units will not be available until January of 2004 and approximately 400 will not be available until March of 2004. According to DHS, the DHS financing plan for FY 2004-2005 includes annualized costs for the additional Master Lease hotel units. DHS advises that these costs will be approximately \$3.6 million and will be funded from a reduction in cash assistance provided to homeless individuals as these individuals are provided with housing, meals and related services under the provisions of Proposition N.

⁴ These numbers exclude 45 hotel units in the Master Lease Hotel Program identified in Attachment IV which are funded through a \$100,000 Federal grant.

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However, for comparative purposes, the Budget Analyst notes that according to the original April 24, 2003 DHS response to the Board of Supervisors (Attachment I), the average annual cost of a Master Lease hotel unit is approximately \$6,250 and a reduction in cash assistance pursuant to Proposition N is either \$4,032 or \$3,132 annually, depending on the specific cash assistance program in which the homeless adult is enrolled. Accordingly, the Budget Analyst notes the reduction in cash assistance for homeless individuals, pursuant to Proposition N, is typically less than the costs of providing Master Lease hotel units. Further, as previously noted, once an individual is housed in a Master Lease hotel unit, he or she is no longer considered homeless and cash assistance is resumed.

Shelter Program

DHS' initial response on April 24, 2003 in Attachment I made no reference that the Proposition N implementation plan would include an expansion of the City's shelter system. However, DHS reported to the Budget Analyst, on three subsequent occasions, that 125 shelter beds, then 115 shelter beds, and then, finally, 165 shelter beds are to be added to the City's shelter system in FY 2003-2004. These various estimates were provided within a four-week time frame. According to DHS, the number of additional shelter beds will continue to evolve based on need and negotiations with shelter providers. However, the Budget Analyst notes again that the changing number of shelter beds, as reported by DHS, clearly evidences the fact that the DHS' plan to implement Proposition N is still in flux and both specific and significant details cannot be confirmed.

According to Attachment VIII, which was the last estimate provided by DHS to the Budget Analyst's Office, DHS intends to increase shelter space by adding 165 beds in both new and existing shelters. Attachment VIII reports that 25 beds will be added to Sanctuary Shelter, 50 beds at the Providence winter shelter will be open year-round in FY 2003-2004, and two new shelters, St. Paulus and 150 Otis Shelter will provide 30 beds and 60 beds, respectively. DHS expects 105 beds to be available for occupancy as of July 1, 2003 and 60 beds to be available as of October 1, 2003.

According to Attachment VIII, DHS will be allocating \$421,885 of the \$13,904,979 baseline budget in FY 2003-2004 to fund the additional 165 shelter beds, an average of approximately \$2,557 per shelter bed. For comparative purposes, the Budget Analyst estimates the reduction in cash payments for 165 homeless individuals to

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be approximately \$604,289 annually⁵. Therefore, based on the current DHS implementation plan, the cost to provide additional housing in shelters is less than the amount that would be recovered through reduced cash payments by \$182,404⁶. According to DHS, the cost of shelter beds has a very wide range and DHS believes it is misleading for the Budget Analyst to select specific low-cost shelters to determine average costs. In addition, DHS states there is no direct relationship between the cost of a specific shelter bed and the amount of a cash assistance payment. However, the Budget Analyst notes that it is exactly these low cost shelter beds that the DHS itself reports are being added to the shelter program pursuant to Proposition N and, certainly, an important consideration in the overall implementation plan is the level and cost of care which will be provided in exchange for cash assistance payments to homeless adults.

According to Attachment VII, DHS would allocate \$864,119 from the \$13,904,979 baseline appropriation in the FY 2003-2004 DHS budget for expansion of the shelters. These funds will be used to expand the shelter system from 1,419 beds now costing a total of \$6,962,776 annually, or an average of approximately \$4,907 per shelter bed, to 1,584 beds which would cost a total of \$7,384,661 annually, or an average of approximately \$4,662 per shelter bed as shown in Attachment IX. In addition to the \$421,885 allocation to fund additional shelter beds, the \$864,119 allocation includes \$442,234 for other shelter related items, such as extending shelter hours, replacing shelter beds, and back-filling State funding reductions as shown in Attachment VII.

Administration of the Housing and Shelter Component of Care Not Cash

In Attachment I, DHS states "We (DHS) do not anticipate that there will be individuals turned away (from shelters) as a result of Proposition N implementation." However, according to Mr. Arcelona, the shelter vacancy rate has averaged 4.6 percent or approximately 59 beds a night over the last two months, indicating that there are currently insufficient vacancies in the shelter system to absorb the additional demand of approximately 1,654 homeless adults who would be guaranteed housing each night, under the provisions of Proposition N. The Budget Analyst notes that, as detailed in Table 1 below, given 59 shelter vacancies, the

⁵ This estimate is based on 41 percent of the targeted population enrolled in the General Assistance program and 59 percent enrolled in non-General Assistance programs. [$\$604,289 = 165 \text{ units} \times 12 \text{ months} \times \{ (41 \text{ percent} \times \$261 \text{ reduction in cash assistance}) + (59 \text{ percent} \times \$336 \text{ reduction in cash assistance}) \}$]

⁶ This estimate is based on the FY 2003-2004 requested budget of \$421,885 less \$604,289 in reduced cash assistance for 165 homeless adults.

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excess demand for housing is 1,595 homeless adults receiving cash assistance. Given that ten shelters consisting of 1,419 beds are currently near maximum occupancy, an estimated 1,595 homeless adults receiving cash assistance could therefore displace up to 610 of other homeless individuals⁷.

Table I
Proposition N Demand for Housing
As of July 1, 2003

	Individuals
Homeless Adults Receiving Cash Assistance	2,800
Less: Those Already Receiving Shelter	750
Homeless Adults Requiring Shelter as of July 1, 2003	2,050
Less Increases in Housing:	
Master Lease Hotel Program	231
Shelter Beds	165
Additional Demand for Housing	1,654
Less: Number of Shelter Vacancies	59
Potential Excess Demand for Housing	1,595

Based on the method of allocating shelter beds to homeless individuals, the Budget Analyst notes that DHS procedures give priority in the shelter bed system for the remaining 1,654 homeless adults who receive cash assistance and who will require housing as of July 1, 2003⁸. According to DHS, the DHS plan gives priority to homeless individuals receiving cash assistance for vacant shelter beds. According to DHS, these homeless adults will receive a standing reservation of 30 to 50 days at a shelter, which can be renewed indefinitely provided that the individual remains eligible for cash assistance and continues to be homeless. DHS advises that if an individual on cash assistance does not stay at a shelter the first night of their reservation, then he or she loses the standing reservation and must see an

⁷ This estimate of 610 homeless individuals is based on 1,419 total shelter beds less 750 homeless individuals currently receiving cash assistance and using shelters less 59 shelter vacancies.

⁸ This estimate of 1,654 homeless adults is based on 2,050 currently homeless adults receiving cash assistance but not using the City's shelter system less 231 additional shelter beds made available by expansion of the Master Lease Hotel Program less 165 additional shelter beds created through expansion of the shelter system.

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assistance program caseworker to re-establish the reservation at a shelter. However, if an individual on cash assistance stays at the shelter on the first night, on subsequent nights these individuals retain the reservation even if they do not stay at the shelter. According to DHS, if a client who has a reservation at a shelter does not use the shelter, the bed is offered to another individual.

DHS reports that shelter beds are currently set aside for two specific purposes. According to DHS, some shelter clients sign case management contracts that guarantee shelter beds while the client meets specified goals identified by a caseworker, such as participation in drug treatment or job counseling. Contract terms range from 90 days to six months and can be renewed for one additional term. However, DHS reports that DHS will no longer enter into case management contracts after June 30, 2003, although existing contracts will be honored. Also, according to DHS, approximately 33 shelter residents who are frail, elderly and/or disabled will continue to have dedicated beds at designated shelters per the shelters' current protocols. DHS reports that all other homeless individuals who are seeking shelter, but who do not participate in one of the City's four cash assistance programs, must re-establish their placement in a shelter every seven days. Further, according to Ms. Joyce Crum of DHS, for these individuals who must re-establish their reservation every seven days, the determination of availability and assignment of a shelter bed occurs after 5:30 p.m., whereas, according to Ms. Crum, cash assistance recipients can have their reservation renewed at any time during the day by a caseworker. Accordingly, the Budget Analyst notes that a cash assistance recipient may renew a reservation for a shelter bed deemed vacant because a non-cash assistance recipient is unable to renew prior to 5:30 p.m. As a result, the Budget Analyst notes that homeless individuals who receive cash assistance will receive preference for a vacant shelter bed over a homeless individual who does not receive cash assistance and displacement can occur.

While Mr. Rhorer states that "Non-CAAP (non-cash assistance program) shelter residents will not be removed to make room for CAAP (cash assistance program) clients," DHS has not provided the Budget Analyst with documentation to explain how displacement won't occur, given the reservation procedures detailed above. According to Mr. Rhorer, DHS will initially allocate beds in each shelter according to the percent of cash assistance and non-cash assistance recipients in each shelter and then will give preference to cash assistance clients for any beds that are subsequently vacated. According to DHS, if cash assistance recipients refuse to accept the shelter bed, then the bed would be provided to a non-cash assistance individual. DHS projects that, with the addition of housing units and a decrease in

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homeless individuals receiving cash assistance, DHS will be able to continue to serve homeless who are not in a cash assistance program but who seek shelter. DHS advises that it is DHS' goal for all of the shelter clients to identify an appropriate placement outside of the shelter environment where the individual can stay long-term. However, the Budget Analyst notes that the DHS representation to the Budget Analyst that there will be no displacement of homeless individuals who are not on cash assistance does not provide assurance that displacement will not occur. While the long-term goal of DHS may be to house these individuals outside of the shelter system, in the short-term, cash assistance recipients receive priority in the shelter system and, as noted above, DHS has not provided any supporting documentation that indicates that non-cash recipients will not be displaced.

The Budget Analyst notes that DHS expects that an unknown number of the 2,050 homeless adults currently receiving cash assistance, but not using shelter beds, would choose not to utilize the hotel or shelter programs, under the provisions of Proposition N. According to DHS, while a precise non-utilization rate is not known at this time, DHS projects that approximately 50 percent of homeless individuals receiving cash assistance will leave the cash assistance programs, formalize existing housing relationships or avail themselves of additional housing opportunities provided under Proposition N. According to DHS, the remaining 50 percent are expected to continue to participate in one of the City's four cash assistance programs. DHS advises that these projections are based on the experience of other counties that switched from a cash-based to a services-based General Assistance program and on the shelter no-show rate among clients who are presumed eligible or whose eligibility is pending. DHS notes that the current no-show rate at shelters is 84 percent for individuals filing an application for cash assistance who are offered seven days of shelter in lieu of cash assistance. Further, according to Mr. Rhorer, a decline in homeless adults receiving cash assistance will result because "individuals who live outside of the County will no longer have an incentive to come into San Francisco to take advantage of a generous GA (General Assistance) aid payment under Care Not Cash," since the General Assistance payment will be reduced to \$59 monthly. As noted above, the current maximum \$395 monthly cash payment would decline to \$59 per month. According to DHS, in July of 1995, Alameda County amended their General Assistance program to replace cash assistance with shelter for homeless clients. DHS reports that after this change was implemented, Alameda County's homeless caseload dropped by 90 percent from approximately 2,000 participants to 200 participants. However, in response to inquiries from the Budget Analyst, Mr. Paul Reeves, Assistant Agency Director of Alameda County's Department of Medi-Cal and Benefits Administration who administered the

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General Assistance program, advised the Budget Analyst that when this change took place, Alameda County attributed the decrease in the General Assistance caseload to an “aggressive program” of 32 budget strategies designed to make obtaining General Assistance “difficult”. According to Mr. Reeves, in addition to reduced cash assistance payments, these strategies included fingerprinting, increased work program requirements, and having more aggressive investigations of potential fraud.

According to DHS, anecdotal evidence also supports the assumption that a number of cash assistance clients reside outside of San Francisco. DHS reports that it is a common occurrence to find editions of the Contra Costa Times and the Oakland Tribune newspapers in the cash assistance program waiting room. In addition, cash assistance program caseworkers report missed appointments and fewer clients in the waiting room during a BART shutdown or when there is a Bay Bridge accident. The Budget Analyst must deal in facts and not anecdotal evidence which is insufficient to provide projections and estimates of homeless individuals who are expected to leave the cash assistance programs because of a reduction in cash assistance payments. Additionally, the Budget Analyst notes that if, in fact, a significant number of individuals who reside outside of San Francisco are enrolled in the City’s cash assistance programs, which DHS now indicates is the case, DHS should take immediate measures to remove these non-San Francisco out-of-County individuals from San Francisco’s aid programs.

The Budget Analyst must continue to emphasize that the DHS assumptions are totally lacking in any supporting documentation. DHS was unable to provide any specific projections or related documentation of the expected decrease in the number of homeless adults presently enrolled in cash assistance programs, as a result of the planned implementation of Proposition N, either immediately or over time, nor was DHS able to provide an estimate of homeless individuals believed to be residing outside of San Francisco.

Homeless Management Information System

In order to deliver housing services to homeless individuals, DHS is in the process of developing the previously discussed automated shelter bed reservation system, as part of a larger project to develop a City-wide Homeless Management Information System. According to Mr. Rhorer, this System is being developed by the Department of Telecommunications and Information Services (DTIS) at a cost of \$930,000. Ms. Ruth Lang of DTIS advises that the Homeless Management Information System

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and its component automated shelter bed reservation system are expected to be operational in the City's shelters by July 1, 2003. However, according to Ms. Lang, DHS would then need to enroll homeless individuals into this automated shelter bed reservation system before it can be effectively implemented.

As outlined in Attachment I, DHS is planning on a phased enrollment for the delivery of housing services to homeless adults receiving cash assistance from the City. DHS plans to enroll the estimated 750 homeless adults currently receiving cash assistance and utilizing shelters in July of 2003 and the remaining 2,050 homeless adults that receive cash payments, but do not use City housing or shelter services, over six months from August of 2003 through January of 2004.

This phased implementation would result in full monthly cash payments of up to \$395 continuing to be paid to homeless individuals during FY 2003-2004 because under the current DHS implementation plan, DHS would not provide housing and meal services to all homeless individuals currently receiving cash assistance by July 1, 2003, the effective date of Proposition N. As shown in Attachment VII, DHS estimates that a total of \$5,460,689 would be expended in FY 2003-2004 on monthly cash payments. Of the \$5,460,689, \$4,950,494 or 90.7 percent would be paid as full cash to homeless adults in lieu of providing housing and meals and only \$510,195 would be paid in reduced cash payments. Proposition N requires that the City continue to pay full cash assistance to homeless individuals until the City can provide the necessary shelter and meal services.

Meal Services

In addition to housing, Proposition N requires meal services to be provided to homeless individuals receiving cash assistance. Initially, DHS did not provide any specific information to the Budget Analyst on the implementation plans for meal services other than that DHS expects that three meals a day will be available in July of 2003. Subsequent to the initial response, which DHS provided to the Budget Analyst, DHS reported that the DHS plan for the implementation of Proposition N provides three meals per day for all homeless individuals who are in shelter and who are receiving \$59 in cash assistance. Because DHS advises that the shelters would provide the meals, the Budget Analyst notes that meal services would be phased in with the shelter component of Proposition N. Therefore, full meal services would not be provided as of July 1, 2003, as indicated in the initial DHS response.

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According to Mr. Arcelona, DHS plans to implement the meal component of Proposition N by using existing shelters to provide either on-site meal service or by referring individuals to Glide Memorial United Methodist Church. Attachment III identifies seven existing shelters that provide three meals a day. However, according to Mr. Rhorer, five of the seven listed shelters do not currently have lunch services and at least one shelter does not currently offer breakfast and another does not currently offer dinner. These inconsistencies once again demonstrate the inadequacies of the DHS plan to implement Proposition N. According to DHS, Glide Memorial United Methodist Church has agreed to restructure its existing contract with DHS in order to provide lunch service to shelters that currently do not have lunch services. According to Mr. Arnold, a modification letter, dated May 19, 2003, to restructure the existing contract does not result in increased costs to the City. Yet in subsequent discussions with the Budget Analyst, Mr. Arnold acknowledged that the modified contract with Glide Memorial does not provide additional services which would in any way differ from the existing services which Glide Memorial is already providing under contract with DHS. According to Attachment VII, DHS will be allocating only \$24,090 to fund additional meal services in FY 2003-2004. According to Mr. Rhorer, these funds are for breakfast at one shelter and dinner at another shelter. Given the information provided by DHS, that while the demand for meals would not be met by July 1, 2003, the Budget Analyst concludes that it is not clear that demand for meals will be met under the DHS plan to implement Proposition N within the available funding.

As previously noted, according to DHS, the DHS implementation plan does not provide meals effective July 1, 2003 for all 1,595 homeless individuals for whom there are no available shelter beds. According to DHS, the DHS implementation plan phases in new services, including meals for homeless individuals at shelters, over the year. DHS reports that individuals for whom services are not available will continue to receive their full cash assistance. DHS advises that individuals placed in hotels would not separately be provided with meal services but would receive their full cash assistance. The Budget Analyst points out that if meal services were increased to provide three meals a day to an additional 1,595 homeless individuals for whom there are no available shelter beds or hotel units, the estimated cost would be \$2,066,721 annually⁹.

⁹ According to Mr. Steve Arcelona, the cost of three meals per day is approximately \$3.55.
[\$2,066,721 = 1,595 individuals x 365 days x \$3.55 per day]

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Other Support Services

The Budget Analyst notes that Proposition N does not require that support services be provided to homeless adults receiving cash assistance from the City. However, as stated in Attachment I, DHS intends to use the baseline appropriation of an estimated total of \$13,904,979 to finance support services provided to homeless individuals. Specifically, DHS plans to enhance mental health and substance abuse services through providing an initial assessment to identify needs and through increased funding for behavioral health services, including methadone maintenance. DHS also plans to increase health services provided to homeless individuals by offering medical screening and referral. Finally, DHS plans to expand case management and other support services, such as providing money management services, SSI advocacy and subsidized move-in costs.

While the DHS response contained in Attachment I states that DHS is in the process of developing the support services component of Proposition N, Attachment I also states that these services will be available in July of 2003. However, DHS did not provide any budgetary detail or related documentation of such support services in their written response in Attachment I. Attachment VII subsequently provided to the Budget Analyst identifies \$3,060,941 of the total \$13,904,979 baseline appropriation to provide such support services. According to DHS, the DHS implementation plan for Proposition N has been developed over a very short time of approximately six months. DHS reports that development of this plan included an extensive public process and that many specific features of this implementation plan are only now being finalized. According to DHS, many of the specific services identified in the plan will be provided by or through the Department of Public Health (DPH) and that DHS and DPH are now working to identify specific contracts and contractors to provide these services. However, as the Budget Analyst noted above, DHS has not provided detailed information on these plans, including identification of the support services providers, locations, and any specific contracts that have been established for delivery of these services.

Implementation Plan and Budget for Baseline Appropriation

Proposition N requires that a baseline appropriation be established at the same level appropriated in the FY 2002-2003 DHS budget for cash assistance payments to homeless adults. Pursuant to Proposition N, this annual baseline appropriation would be used to provide housing, meals and other support services, such as mental health and substance abuse treatment. The Budget Analyst notes that the language

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in Proposition N does not require the funding of additional services with such funds, such that this baseline appropriation could be used to supplant or fund other existing programs, that might otherwise be decreased due to budget reductions in FY 2003-2004.

However, the City Attorney's Office advises that Article IX of the City's Charter provides that future Mayors and Board of Supervisors have discretion in setting and approving annual appropriations. Therefore, the City Attorney's Office advises that the funding language regarding the baseline appropriations, as contained in Proposition N, cannot be mandatory and must be interpreted as a policy recommendation or advisory only for future Mayors and Boards of Supervisors. Therefore, although the Department of Human Services advises that \$13,904,979 is the baseline appropriation of cash assistance provided in FY 2002-2003 for homeless individuals, the Budget Analyst notes that, based on the City Attorney's opinion, the \$13,904,979 level of funding may or may not be included by the City for cash payments, housing, food and support services in future years to homeless adults.

DHS has estimated the baseline appropriation by multiplying the FY 2002-2003 appropriation for cash assistance payments in the four cash assistance programs (General Assistance, PAES, SSIP, and CALM) by the percentage of homeless adults in each program in June of 2002. This DHS estimate of the baseline appropriation at \$13,904,979 for FY 2003-2004 was included in the Voter Information Pamphlet for the November of 2002 election. According to Mr. Arnold, the assumptions, which were the basis for the \$13,904,979 estimate, have not changed since the original estimate was completed. The Budget Analyst notes that the percentage of homeless adults that receive these cash assistance payments can vary from month to month. Therefore, DHS' FY 2002-2003 actual experience would likely result in a different baseline appropriation.

Initially, DHS did not provide the Budget Analyst with a detailed implementation plan or budget for the use of the baseline appropriation. A detailed budget, shown in Attachment VII, was only provided after the Budget Analyst's third request. DHS responds that DHS provided the Budget Analyst with a detailed budget for the implementation of Proposition N on May 19 and that this budget, which was not completed until May 12, was provided along with other detailed information in response to specific requests from the Budget Analyst dated May 2 and May 13. As shown in Attachment VII, the \$13,904,979 would be expended as follows: \$5,460,689 for monthly cash assistance payments and \$8,444,290 for the "Care"

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budget which includes \$4,495,140 for the Master Lease Hotel Program, \$3,060,941 for support services such as residential treatment facilities and case management, \$864,119 for the shelter program and \$24,090 for additional meals.

DHS has developed its implementation plan and budget for the baseline appropriation based on the assumption that 2,050 homeless adults currently receiving cash assistance, but not using shelter beds, would continue to not use the City's hotel or shelter program. According to DHS, DHS has developed a projection model which shows a gradual increase in the availability of shelter to homeless individuals receiving cash assistance, a gradual increase in the number of Master Lease hotel units available and a gradual decrease in the number of homeless individuals receiving cash assistance who cannot be provided with shelter and meals. According to DHS, the DHS projection shows a need for approximately 165 additional shelter beds and approximately 1,000 additional Master Lease hotel units. DHS reports that these units are identified, and funded, in the FY 2003-2004 budget provided to the Budget Analyst and an annualized budget has also been developed with a financing plan based on the \$13,904,979 available under the provisions of Proposition N. Although Mr. Rhorer made reference to a DHS "projection model" in responding to a draft version of the Budget Analyst's report, in further discussions with Mr. Arnold pertaining to this "projection model", Mr. Arnold clarified that the so-called "projection model" was an "informal back of the envelope" DHS document. The DHS first made reference to their "projection model" on the evening of May 30 in commenting on the Budget Analyst's draft report.

While existing vacancies and new hotel units and shelter beds will meet part of the demand for housing, an estimated 1,595 additional hotel units or shelter beds will be needed for homeless adults receiving cash assistance pursuant to Proposition N. The Budget Analyst estimates the cost of providing 1,595 additional hotel units through the Master Lease Hotel Program at \$9,968,750 annually, using DHS' estimate of the average cost for a hotel unit of \$6,250 annually provided in Attachment I. Additionally, if these 1,595 homeless adults are housed in Master Lease Hotel units, then full cash assistance would be reinstated at an estimated increased cost of \$5,841,460 annually¹⁰. Alternatively, the Budget Analyst estimates the cost of providing 1,595 additional shelter beds at \$8,134,500 annually, using DHS' estimate of the average cost for a shelter bed of \$5,100 provided in

¹⁰ This estimate is based on 41 percent of the targeted population enrolled in the General Assistance program and 59 percent enrolled in non-General Assistance programs. [$\$5,841,460 = 1,595 \text{ units} \times 12 \text{ months} \times ((41 \text{ percent} \times \$261 \text{ increase in cash assistance}) + (59 \text{ percent} \times \$336 \text{ increase in cash assistance}))$]

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Attachment I. The Budget Analyst notes that clearly these costs would be a significant component of, if not greatly exceeding, the \$13,904,979 baseline appropriation. If the Budget Analyst accepts the DHS assumption that 50 percent of cash assistance recipients will leave the cash assistance programs, formalize existing housing relationships or avail themselves of additional housing opportunities although DHS has not provided any documentation substantiating this assumption, the Budget Analyst estimates that it will cost between \$2,907,000 annually for additional shelter beds and \$3,562,500 annually for additional hotel units¹¹ to house an estimated 570 homeless adults who will remain in the cash assistance programs¹². In response, DHS reports that 600 units will be added to the Master Lease Hotel Program in late FY 2003-2004. According to DHS, these units will cost approximately \$1,575,730 in FY 2003-2004 and \$4,744,719 annually thereafter. However, as the Budget Analyst has previously noted, these 600 additional Master Lease Hotel units have not been identified and therefore are not currently available for implementation on July 1, 2003. Furthermore, the Budget Analyst notes that DHS is relying on significant assumptions and projections, which are unsupported by documentation, that must be realized to meet the demand for housing pursuant to Proposition N.

Summary and Conclusions

Based on the information provided by the Department of Human Services to the Budget Analyst, with respect to the Department's plans for the implementation of Proposition N, otherwise known as Care Not Cash, the Budget Analyst concludes that DHS's plan has not been fully formulated and lacks data and information needed to successfully implement the provisions of Proposition N. The Budget Analyst further concludes that the DHS does not have sufficient facts to support its representation that there will be sufficient services in place to meet the needs of San Francisco's homeless adults who are receiving cash assistance payments by the Spring of 2004, as has been represented by the Department of Human Services.

As detailed in our report, some of the major factors which have led us to the conclusions stated above are as follows:

¹¹ This estimate of costs associated with additional hotel units does not include increased costs due to reinstatement of full cash assistance payments because those individuals are no longer considered homeless by DHS.

¹² This estimate of 570 homeless adults remaining on cash assistance and requiring housing is based on 2,050 homeless adults initially on cash assistance and not receiving housing multiplied by 50 percent, less 231 additional hotel units, 165 shelter beds, and 59 vacant shelter beds.

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- DHS' responses to both the Board of Supervisors and the Budget Analyst make a significant assumption that many of the homeless individuals targeted by Proposition N will continue to refuse housing and meals or will abandon the City's assistance programs altogether because their monthly cash assistance payments will be reduced. DHS' responses were repeatedly silent in explaining the details behind this major underlying assumption that DHS is using for implementation of Proposition N.
- DHS' initial written response did not address some of the basic parameters of Proposition N, including:
 - How and where the total homeless population targeted by Proposition N will be guaranteed housing;
 - How and where the target population will be provided meals; and
 - How the baseline appropriation of an estimated \$13,904,979 will be spent on homeless services, including housing, meals and other support services.
- In subsequent responses to the Budget Analyst, DHS significantly deviated from their original response. For example, DHS' subsequent response included 991 additional hotel units, which is 670 hotel units or 209 percent more than the 321 additional hotel units initially identified by DHS. As another example, DHS initially made no reference to adding shelter beds and then subsequently responded on three separate occasions that first, 125 shelter beds would be added to the City's shelter system in FY 2003-2004, then changed the number to 115 shelter beds, and then again changed the number to 165 new shelter beds.
- DHS did not provide any documentation to support their projections for the additional 600 hotel units, which were based on "informal proposals", according to DHS. Further, although DHS reports that they are currently in negotiation to bring these additional 600 hotel units under the City's Master Lease Program in FY 2003-2004, DHS did not provide any details, including the names of these hotels.
- The dates of availability provided by DHS for new Master Lease Hotel units were inconsistent in two different DHS responses and DHS was unable to provide projections for when approximately 160 hotel units that are currently occupied would become available for City use.

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- A complete analysis of the effects of funding the housing and meals for homeless adults receiving cash assistance cannot be determined, given the limited and conflicting data provided by DHS. Such an analysis is essential to understand because Proposition N reduces cash assistance in exchange for guaranteed housing and meals.
- DHS anticipates that no individuals will be turned away from shelters as a result of Proposition N implementation. However, based on vacancy rate data in the City's shelters provided by DHS, the Budget Analyst projects that, as a result of Proposition N, homeless adults receiving cash assistance could displace up to 610 other homeless individuals.
- Homeless individuals who receive cash assistance will receive preference for a vacant shelter bed over a homeless individual who does not receive cash assistance, therefore resulting in potential displacement of other homeless individuals who do not receive cash assistance from the City. While the DHS Executive Director states that non-cash assistance shelter residents will not be removed to make room for cash assistance shelter residents, DHS has not provided the Budget Analyst with any supporting documentation to explain how displacement will be prevented, given the reservation procedures provided by DHS and detailed in our report.
- The Executive Director reports that a decline in homeless adults receiving cash assistance will result because "individuals who live outside the County will no longer have an incentive to come into San Francisco to take advantage of a generous GA (General Assistance) aid payment under Care Not Cash", since the General Assistance payment will be reduced to \$59 monthly from up to a maximum of \$395 monthly. DHS projects that approximately 50 percent of homeless individuals receiving cash assistance will leave the cash assistance programs. The Executive Director notes that Alameda County amended their General Assistance program in 1995 to replace cash assistance with shelter for homeless clients. The Executive Director reports that, as a result, Alameda County's caseload dropped by 90 percent. However, Alameda County advised the Budget Analyst that this significant decrease in the General Assistance caseload was due to "an aggressive program" of 32 budget strategies designed to make it "difficult" for persons to become enrolled in the General Assistance program. The strategies of Alameda County included fingerprinting, increased work program requirements and more aggressive investigations of General Assistance recipients.

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- According to DHS, anecdotal evidence supports the assumption that a number of cash assistance clients reside outside of San Francisco. DHS reports that it is a common occurrence to find editions of the Contra Costa Times and the Oakland Tribune newspapers in the DHS cash assistance program waiting room. In addition, cash assistance program caseworkers report missed appointments and fewer clients in the waiting room during a BART shutdown or when there is a Bay Bridge accident. The Budget Analyst must deal in facts and not anecdotal evidence, which is insufficient to provide projections and estimates of homeless individuals who are expected to leave the cash assistance programs because of a reduction in cash assistance payments. Additionally, the Budget Analyst notes that if, in fact, a significant number of individuals who reside outside of San Francisco are enrolled in the City's cash assistance programs, which DHS now indicates is the case, DHS should take immediate measures to remove these non-San Francisco out-of-County individuals from San Francisco's aid programs.
- The Budget Analyst must continue to emphasize that the DHS assumptions are totally lacking in any supporting documentation. DHS was unable to provide any specific projections or related documentation of the expected 50 percent decrease in the number of homeless adults presently enrolled in cash assistance programs, as a result of the planned implementation of Proposition N, either immediately or over time, nor was DHS able to provide an estimate of homeless individuals receiving cash assistance from the City that are believed to be residing outside of San Francisco.
- Initially, DHS did not provide any specific information to the Budget Analyst on the implementation plans for meal services other than that DHS expects that three meals a day will be available in July of 2003. Subsequent to the initial response, DHS reported that the DHS plan for the implementation of Proposition N provides three meals per day for all homeless individuals who are in a shelter and who are receiving \$59 in cash assistance. Therefore, the Budget Analyst notes that meal services would be phased in with the shelter component of Proposition N and full meal services would not be provided as of July 1, 2003, as indicated in the initial DHS response.
- DHS identified seven existing shelters that provide three meals a day. However, according to the DHS Executive Director, five of the seven listed shelters do not currently have lunch services and at least one shelter does not currently offer breakfast and another does not currently offer dinner. These inconsistencies

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once again demonstrate the inadequacies of the DHS plan to implement Proposition N.

- According to DHS, Glide Memorial United Methodist Church has agreed to restructure its existing contract with DHS in order to provide lunch service to shelters that currently do not have lunch services. Yet in subsequent discussions with the Budget Analyst, the DHS Director of Finance and Planning acknowledged that the restructured contract with Glide Memorial does not provide additional services which would in any way differ from the existing services which Glide Memorial is already providing under contract with DHS.
- Proposition N does not require that support services, such as mental health and substance abuse services, be provided to homeless adults receiving cash assistance from the City. However, DHS intends to use the baseline appropriation of an estimated \$13,904,979 to finance support services to homeless individuals. While DHS is in the process of developing such support services, and states that these services will be available in July of 2003, DHS did not provide detailed documentation of such support services, including identification of the support services providers, locations, and any specific contracts that have been established for delivery of these services.
- The City Attorney's Office advises that the funding language regarding the baseline appropriations, as contained in Proposition N, cannot be mandatory and must be interpreted as a policy recommendation or advisory only. Therefore, although the Department of Human Services advises that \$13,904,979 is the baseline appropriation of cash assistance provided in FY 2002-2003 for homeless individuals, the Budget Analyst notes that, based on the City Attorney's opinion, the \$13,904,979 level of funding for homeless adults may or may not be included by the City for cash payments, housing, food and support services in future years.
- Initially, DHS did not provide the Board of Supervisors or the Budget Analyst with a detailed implementation plan or budget for the use of the baseline appropriation. A detailed budget was only provided after the Budget Analyst's third request.
- Although the Executive Director made reference to a DHS "projection model" in responding to a draft version of the Budget Analyst's report, in further discussions with DHS, the DHS Director of Finance and Planning clarified that

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the so-called "projection model" was an "informal back of the envelope" document. The DHS first made reference to their "projection model" on the evening of May 30 in commenting on the Budget Analyst's draft report.

- While existing vacancies and new hotel units and shelter beds will meet part of the demand for housing, an estimated 1,595 additional hotel units or shelter beds will be needed for homeless adults receiving cash assistance pursuant to Proposition N. The Budget Analyst estimates the cost of providing 1,595 additional hotel units through the Master Lease Hotel Program at \$9,968,750 annually. Additionally, if these 1,595 homeless adults are housed in Master Lease Hotel units, then full cash assistance would be reinstated at an estimated increased cost of \$5,841,460 annually. Alternatively, the Budget Analyst estimates the cost of providing 1,595 additional shelter beds at \$8,134,500 annually. The Budget Analyst notes that clearly these costs would be a significant component of, if not greatly exceeding, the \$13,904,979 baseline appropriation.
- The Budget Analyst notes that Proposition N only addresses approximately 2,800 or 36.4 percent of the estimated 7,686 homeless adults. Even with successful implementation of Proposition N, an estimated 4,886 homeless adults, or 63.6 percent of the total homeless adult population, are not addressed by the provisions of Proposition N.

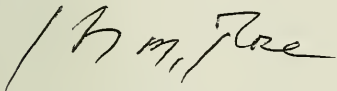
The written response of the Executive Director of DHS to the Budget Analyst's report is included as Attachment X. In his written response, the Executive Director states that he agrees with the Budget Analyst's report that DHS' plan will not provide, as of July 1, 2003, shelter and meals to all of the homeless adults in San Francisco who are currently receiving cash assistance. However, the Executive Director states that "We have purposely developed a phased implementation plan which gradually adds services in the form of housing, meals and supportive services throughout the next fiscal year, which is consistent with the language in Proposition N. Our plan is based on various assumptions about caseloads and requests for services." Based on the assumptions of the DHS, the Executive Director reports that, by the Spring of 2004, the implementation plan for Proposition N will result in sufficient services to meet the needs of San Francisco's homeless. However, as repeatedly noted in the Budget Analyst's report, documentation provided by DHS to support their assumptions is lacking in sufficient detail, and the DHS data is unsupported and contradictory. The Budget Analyst concludes that there is no assurance that the intent of Proposition N to replace cash assistance with housing,

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meals and support services will be achieved by the Spring of 2004, as represented
by the Executive Director of DHS.

Respectfully submitted

A handwritten signature in black ink, appearing to read "H M Rose", written in a cursive style.

Harvey M. Rose
Budget Analyst

cc: President Gonzalez
Supervisor Ammiano
Supervisor Daly
Supervisor Dufty
Supervisor Hall
Supervisor Ma
Supervisor Maxwell
Supervisor Newsom
Supervisor Peskin
Supervisor Sandoval
Mayor Brown
Clerk of the Board
City Attorney
Controller
Ben Rosenfield
Ted Lakey
Trent Rhorer
Steve Arcelona
Phil Arnold

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City and County of San Francisco

Department of Human Services



Trent Rhorer
Executive Director

Deputy Directors
Janice Anderson Santos
Jim Buick
Sally Kipper

April 24, 2003

Gloria L. Young, Clerk
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RE: Supervisor McGoldrick Inquiry No. 20030318-011
Implementation of Proposition N
Dated March 24, 2003

Dear Ms. Young:

This letter is in response to the above referenced inquiry. Please note that Supervisor McGoldrick's questions are in bold.

1. Any new and existing programs designated by DHS as implementing the provisions of Care Not Cash

Two DHS programs will be responsible for implementing the provisions of Care Not Cash. The County Adult Assistance Program (CAAP), which administers the City's cash assistance programs for single adults without minor children, will be responsible for identifying homeless CAAP clients and ensuring that they have access to shelter and meals in the new benefit package.

DHS' Division of Housing and Homeless Programs will be responsible for managing the City's automated shelter reservation system and expanding the Master Lease hotel program. Along with these responsibilities, the CAAP and the Housing and Homeless divisions will work together to coordinate the behavioral health and support services provided to Prop N's target population.

2. Policies adopted or under consideration by any department to assist in implementation of Care Not Cash.

Policy	Description	Implementation Timeline
Expand DHS Master Lease Hotel Program	DHS will add hundreds of new Master Lease units to increase affordable housing options for shelter residents and homeless CAAP clients.	The New Master Lease units will begin coming on line in May, 2003. DHS will continue to expand the number of units throughout FY2003-04.

Policy	Description	Implementation Timeline
Develop a coordinated intake, referral and client identification system to replace the current shelter lottery system.	<p>DHS is currently developing a City-wide Homeless Management Information System (HMIS) that will include:</p> <ol style="list-style-type: none"> 1) An automated shelter bed reservation system 2) Demographic information on homeless individuals receiving services in San Francisco 3) Information to assist case managers identify appropriate services for clients 	<p>The HMIS Pilot program began in January, 2003 with selected shelter beds. The coordinated shelter bed reservation system will be operational and will replace the shelter lottery system in July, 2003.</p> <p>Current homeless CAAP clients will be enrolled in the system starting in May, 2003</p> <p>Beginning July 1, all new homeless CAAP clients will be enrolled.</p>
Enhance mental health and substance abuse services	<p>DHS will ensure that every homeless CAAP recipient is offered a comprehensive assessment to identify potential behavioral health service needs. DHS will allocate Prop N funds to increase DPH-administered behavioral health services targeted to CAAP recipients.</p> <p>DHS will establish a methadone maintenance fund to help clients maintain methadone treatment if they are currently using their cash grant to purchase methadone services.</p>	<p>Services will be available in July, 2003.</p>
Increase access to health services	<p>Shelter residents will be offered a comprehensive medical exam, which will include testing for common illnesses such as TB. A medications fund will be created to ensure clients with chronic illnesses have access to critical medications.</p>	<p>Services will be available in July, 2003.</p>

Policy	Description	Implementation Timeline
Expand supportive services	DHS will enhance case management services offered to Master Lease residents. DHS will provide money management services to Master Lease residents. DHS will increase SSI advocacy services on behalf of clients. DHS will establish a "move-in/out fund" to help cover the costs associated with moving into private housing. As part of an assessment process DHS will be able to determine the barriers to accessing housing (ie. Move-in costs, multiple evictions, etc.).	Services will be available in July, 2003.
Ensure access to meals	All Prop N clients will be offered 3 meals per day.	Services will be available in July, 2003.

3. Current projected cost savings or increases associated with plans for implementation of the initiative.

Proposition N establishes an annual baseline budget for housing, services and aid payments for homeless CAAP clients that is based on the amount appropriated for CAAP cash assistance for homeless individuals in FY02-03. The FY02-03 appropriation totals \$13.9M, and the program will not generate any savings or additional costs.

4. Any projected increases/decreases in resources currently going to other City programs that will result from implementation proposals under consideration.

The Care Not Cash budget of \$13.9M will be used to pay for housing, services and aid grants for homeless CAAP clients. This \$13.9 million will fund an expansion to DHS' Hotel Master Lease Program in order to increase affordable housing options for CAAP recipients and shelter residents. In addition, these funds will be used to expand behavioral health services, including services provided through the Department of Public Health. DHS will also increase spending on case management services and other support services to help transition shelter residents into stable housing situations.

5. Revenues and expenditures budgeted in the 2003-04 Mayor's budget for implementation of these programs.

See #4.

6. Any collateral effects of implementation proposals on other populations served by the City.

In addition to homeless CAAP clients, shelter residents who would be better served in stable housing settings that have on-site services (such as SSI recipients) will have expanded access to affordable housing options under Care Not Cash. Other long-term shelter residents, including employed homeless individuals, will also have access to the expanded housing units resulting in fewer non-CAAP clients in shelter.

7. Projected numbers of person who will be affected by proposed changes in policies with an explanation of such effects.

The services provided under Care Not Cash will be targeted to the estimated 2,800 CAAP clients who will be homeless at the beginning of FY03-04. It is important to note that Care Not Cash will not impact CAAP clients who are not homeless.

As noted above, Care Not Cash will also provide expanded housing opportunities for long-term shelter residents who are not CAAP recipients. An estimated 200 residents in DHS' shelter system are SSI recipients, and DHS will provide the necessary services to assist these clients in transitioning into more stable housing such as the Master Lease Program.

8. A detailed timetable for full implementation of each of the initiative's provisions.

See responses to Questions #2 and #9.

9. Explanation of any phasing of implementation with specific target dates for each phase, the number of homeless individuals served in each phase and how they will be served.

March, 2003	Complete first round of RFQ's to expand the Master Lease housing Program;
April, 2003	HMIS training for DHS staff begins;
May – June, 2003	Enroll CAAP clients in new system
June – July, 2003	Training for 150 CAAP staff on reservations and changes in procedures;

July, 2003 and ongoing

DHS will begin intake of all new homeless applicants (approximately 400) and those CAAP clients already in shelter (approximately 750);

August, 2003 – January, 2004

Care Not Cash conversion for current CAAP homeless clients at renewal (1/6 of the CAAP Homeless caseload each month)

10. To the extent hotel rooms are contemplated as a part of the implementation of housing service requirements, the number of hotel rooms that will be available at each stage of implementation; the specific number of homeless persons that will be accommodated; the dates such rooms will come on line; the specific hotels, addresses, owners, number of rooms available; copies of the contracts (agreements) signed with hotel owners; the number of vacancies currently existing in such hotels; the number of rooms under new Master Lease programs with the City that will actually be used to serve CAAP recipients; other non-CAAP populations that will be offered housing under new Master Lease programs contemplated by DHS.

We are currently working with hotel owners and non-profit agencies to identify and lease numerous hotels. There are several factors that affect the timeline for Master Lease expansion; including the physical condition of the hotels, the pace at which hotel owners negotiate terms, and the process for City procurement and contract approval. As such, it is difficult to project when the units will be available to the program. As indicated earlier in this report, the rooms under the Master Lease Program expansion will be targeted to homeless CAAP recipients and to long term shelter residents who have the means to pay rent (SSI recipients, employed individuals, etc.).

The following lists the number of rooms that will be under lease and the projected dates:

Hotel	Address	Units	Projected Date of Opening	Current Vacancies
Arlington	480 Ellis Street	25	May 1, 2003	25
Royan	405 Valencia Street	69	June 1, 2003	40
California Drake	1541 California St.	51	July 1, 2003	20
Raymond	1011 Howard	96	October 1, 2003	56
268-270 McAllister	268-270 McAllister	80	January 1, 2004	80

As of April 24, 2003, the contracts for each of these hotels have not yet been approved by the Human Services Commission.

11. To the extent that shelter beds will be used to implement the housing service requirements of the initiative, the actual shelters that will be used for such services;

It is anticipated that the following shelters will be used for implementation of the requirements under Prop N:

1. Multi-Service Center South (Capacity: 380 beds)
2. Next Door Program (Capacity: 280 beds)
3. Episcopal Sanctuary (Capacity: 280 beds)
4. A Man's Place (Capacity: 75 beds)
5. Dolores Street (Capacity: 100 beds)
6. Hospitality House (Capacity: 50 beds)

The number of shelter beds currently available on average in those shelters;

The above lists the number of beds in each shelter.

The number of homeless individuals who are turned away on average at those shelters;

There have been no homeless individuals turned away from shelters in 2003.

The projected numbers of homeless individuals that will be turned away from shelters at each stage of implementation of Proposition N;

We do not anticipate that there will be individuals turned away as a result of Proposition N implementation.

The relative costs of using such shelters in comparison with using hotel rooms to provide housing services;

The costs of shelter beds and master leased units vary depending on the level of services and size of the program. For example, the annual unit costs of the master lease program range from a low of \$3,700 per unit annually at the Arlington to a high of approximately \$9,000 per unit at the Royan. Under the shelter program, the Next Door Program costs approximately \$7,000 per bed annually, while the lowest cost shelters are less than \$3,000 per bed.

The average annual cost to the City of a master lease unit is about \$6,250. This cost includes the total costs of operating the hotel as well as the provision of on-site services. The average annual cost of a shelter bed is about \$5,100.

The number of homeless individuals currently in CAAP program using shelters without deduction from their assistance checks who will be required to pay for such shelter from their checks as a result of implementation plans together with the total amount of money that would be generated for DHS's budget from such deductions.

DHS estimates that approximately fifty to sixty percent of shelter residents are CAAP recipients. Under Proposition N, homeless CAAP recipients will not pay for their shelter beds. Rather, homeless CAAP recipients will receive \$59 in cash assistance and a guaranteed shelter bed that will be reserved for them through the automated shelter bed reservation system. DHS assumes that the vast majority of CAAP recipients who are currently in the shelter system will remain there.

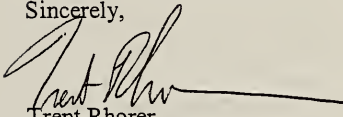
The Prop N funding is established using the FY02-03 appropriation for cash assistance payments to homeless CAAP recipients. This amount, referenced earlier in this document, totals \$13.9 million. DHS currently projects that approximately \$7.4 million of the \$13.9 million will be spent on housing and services for this population, while the remaining \$6.5 million will continue to be spent on cash grants. Due to the fluid nature of this population, these figures will likely change throughout the course of the year.

12. Any services other than housing that are contemplated as part of the implementation of Proposition N, including the cost of such services, the agencies that will provide such services, the specific locations where such services will be provided, and all contracts that have been signed for the delivery of such services.

See #2 for the list of other services. We are still in discussions with our community partners and other City government agencies to develop the service delivery package for Proposition N. Once the service delivery package is finalized, DHS will be able to complete the line budget for Proposition N. This budget will be finalized in time to be included in the Mayor's budget submission to the Board of Supervisors on June 1, 2003.

If you have any questions about this information, please contact Steve Arcelona, Chief of Staff at 557-6348.

Sincerely,



Trent Rhorer
Executive Director

cc: Supervisor Jake McGoldrick
Budget Analyst

Table 1. GA Payments in other CA Counties

County	Max. Cash	Max Grant -	Comments
	Grant per Month	Homeless Clients	
Alameda	\$336.00	\$18.00	Homeless persons offered shelter, treatment, and support services.
Contra Costa	\$167.00	n/a	Only disabled, unemployable clients receive the full \$167; employable adults receive \$148.
Los Angeles	\$221.00	n/a	L.A. has a 9-month time limit.
Marin	\$373.00	n/a	Only 200 GA cases; clients must comply with a set of program mandates to receive aid.
Orange	\$279.00	n/a	Orange County has a 3 month time limit.
San Francisco	\$395.00	\$59.00 (Prop N)	
San Mateo	\$58.00	n/a	Recipients in drug treatment receive no cash aid.
Santa Clara	\$316.00	\$138.00	Homeless persons offered shelter, treatment, and support services.
Source: Survey of California counties conducted in November 2001 and January 2002.			

Table 3a. Adult Shelters							
Shelter*	Location	Tot. # of Beds	02-03 Amt.	03-04 Amt.	# of Individuals Served Meals/Day	# of Meals Served/Day	
MSC South	525 5th St. (So. of Mkt.)	380	\$1,740,975	\$1,740,975	380	3	
Next Door	1001 Polk (Tenderloin)	280	\$2,199,497	\$2,199,497	280	3	
Sanctuary	201 8th St. (SOMA)	225	\$1,012,781	\$1,012,781	225	3	
A Man's Place	399 Fremont (So. Beach)	119	\$379,397	\$379,397	119	3	
Dolores St.	1050 So. Van Ness (Mission)**	100	\$532,597	\$532,597	100	3	
A Woman's Place	1049 Howard St. (SOMA)	60	\$221,774	\$221,774	60	3	
Hospitality House	146 Leavenworth (Tenderloin)	30	\$219,781	\$219,781	30	3	
Providence	1601 McKinnon (Bayview)	75	\$233,310	\$233,310	-	0	
St. Boniface	150 Golden Gate (Tenderloin)	80	\$168,793	\$168,793	-	0	
Ella Hill Hutch	1050 McAllister (Western Addition)	70	\$253,871	\$253,871	-	0	
Total		1,419	\$6,962,776	\$6,962,776			
*DHS also contracts with a consortium of churches to provide 270 winter-only shelter beds (November through March). The annual cost is \$301,547.							
**Dolores St. has 4 locations, all of which are located in the Mission.							

Table 2a. Current Master Lease Hotel Program				
Hotel ¹	Location	# of Units	Current Vacancies ²	Rental Rate ³
Vincent	459 Turk (Tenderloin)	103	6	\$463/mo.
Jefferson	440 Eddy (Tenderloin)	111	6	\$463/mo.
Hartland	909 Geary (Tenderloin)	137	2	\$463/mo.
Seneca	34 6th St. (SOMA)	204	15	\$463/mo.
Mission	520 So. Van Ness (Mission District)	248	24	\$463/mo.
TOTAL		803	53	
¹ DHS also administers the 45-unit Leroy Looper Hotel. The \$100,000 annual cost of this hotel is funded entirely through a federal H.U.D. grant.				
² In most cases, hotels are required to fill vacancies after a 7 day turnaround. Higher-than-normal vacancies at the Seneca and Mission are due to extensive rehabilitation projects.				
³ The maximum rent is \$463/mo. across all hotels. Clients can receive up to \$150/mo in rental subsidies depending on their income level.				

Table 2b. New CNC Master Lease Sites					
Hotel	Location	# of Units	Current Vacancies	Rental Rate ¹	Launch Date
Arlington	480 Ellis (Tenderloin)	25	25	\$463/mo.	Already open
Royan	405 Valencia (Mission District)	69	40	\$463/mo.	Already open
Mentone	387 Ellis (Tenderloin)	70	35	\$463/mo.	July 1, 2003
Cal Drake	1541 California (Tenderloin)	51	25	\$463/mo.	July 1, 2003
Raymond	1011 Howard (SOMA)	96	56	\$463/mo.	Oct. 1, 2003
268-270 McAllister	268-270 McAllister (Tenderloin)	80	50	\$463/mo.	Oct. 1, 2003
Additional Master Lease Units ²	N/A	600	N/A		
Sub-total		991	231		
¹ Clients can receive up to \$150/mo. in rental subsidies depending on their income level.					
² DHS is currently in negotiation to bring the additional 600 units on board during FY03-04.					

Table 2c. Master Lease Units and Total Costs, 02-03 and 03-04

FY02-03			
Hotel	Total Units	Total Cost	
Vincent	103	\$447,692	
Jefferson	111	\$593,275	
Hartland	137	\$572,729	
Seneca	204	\$715,302	
Mission	248	\$788,540	
Modified Payment Program	n/a	\$1,504,473	
Total	803	\$4,622,010	
FY03-04			
Hotel	Total Units	Available Units	Total Cost
Vincent	103	103	\$447,692
Jefferson	111	111	\$593,275
Hartland	137	137	\$572,729
Seneca	204	204	\$715,302
Mission	248	248	\$788,540
Arlington	25	25	\$159,723
Royan	69	40	\$702,312
Mentone	70	35	\$695,396
Cal Drake	51	25	\$101,412
Raymond	96	56	\$503,723
268-270 McAllister	80	50	\$561,980
Additional Master Lease Units ¹	600	n/a	\$1,575,730
THC MPP - Current Hotels	n/a	n/a	\$1,504,473
Total	1,794	1,034	\$8,922,286
¹ The cost for additional units is prorated to reflect the fact that the units will be brought on later in FY03-04.			

Table 8a. Care Not Cash Budget

Attachment VII

	03-04 Amt.	
Total CNC Budget	\$13,904,979	
Reduced Grant	\$510,195	
Full Grant	\$4,950,494	
Total Aid Payments	\$5,460,689	
"Care" Budget	\$8,444,290	
Budget Items	03-04 Amt.	Notes
<u>Housing</u>		
Arlington (St. Vincent)	\$159,723	Under contract
Royan (THC)	\$702,312	Under contract
Mentone (THC)	\$695,396	Ready July 1, 2003
California Drake (THC)	\$101,412	Ready July 1, 2003
Raymond (THC)	\$503,723	Ready Oct. 1, 2003
268-270 McAllister (Conard)	\$561,980	Ready Oct. 1, 2003
Program Support - Salary	\$81,246	
Program Support - Fringe	\$13,618	
Move-in costs	\$100,000	Covers costs assoc. w/ moving into private housing
Additional ML units for Jan '04	\$779,100	Cost of adding roughly 200 new units around Jan. '04
Additional ML units for Mar. '04	\$796,630	Cost of adding roughly 409 new units around Mar. '04
Housing Sub-total	\$4,495,140	
<u>Services</u>		
Behavioral Health Roving Team	\$440,000	Scaled-up version of Baker Place team that serves DAH hotels; Will be phased in in 03-04
Residential Treatment slots	\$1,414,740	57 slots at \$68/day; pay facilities on a fee-for-service basis
Redwood Center	\$275,000	13 residential treatment slots; work order to DPH
Detox slots	\$322,000	115 episdoes @ \$2,800/episode (based on DAH costs)
Methadone maintenance	\$164,010	30 clients per year @ \$5,467/client (based on analysis of current CAAP clients' utilization)
Shelter case management	\$158,775	Case mgrs. @ Next Door and MSC So.
Training	\$83,416	Training for shelter case managers and ML support counselors
Rep payee slots	\$203,000	200 rep payee slots @ \$1,015/slot per yr. (based on THC costs)
Services Sub-total	\$3,060,941	
<u>Shelter</u>		
24 Hrs. @ Sanctuary	\$142,234	Cost assoc. w/ keeping Sanctuary open 8am-4pm
New beds @ Sanctuary	\$118,284	25 additional beds; results in 250 total beds @ Sanctuary
Providence winter shelter annualization	\$127,251	Annualize 50 "winter-only" beds; results in 125 total year-round beds @ Providence
St. Paulus shelter beds	\$76,350	30 beds @ \$2,545/bed per yr.
Backfill for EHAP cuts to ECS, Central City, and Dolores St.	\$150,000	One-time cost to cover EHAP cuts
Shelter bed replacement	\$150,000	One-time cost for replacing shelter beds
150 Otis overflow shelter	\$100,000	Tentative opening 10/1/03
Shelter Sub-total	\$864,119	
<u>Meals</u>	\$24,090	Covers b'fast @ Dolores St. & dinner @ Hosp. House
TOTAL COSTS	\$8,444,290	

Table 3b. Additional Shelter Beds

Meal Service					
Shelter	Location	# of Beds	03-04 Amt.	Expanded?	Launch Date
Sanctuary	201 8th St. (SOMA)	25	\$118,284	Y	Available July 1, 2003
St. Paulus	930 Gough St.	30	\$76,350	N	Available July 1, 2003
150 Otis Shelter	150 Otis (SOMA/Mission)	60	\$100,000	N	Available Oct. 1, 2003
Providence	1601 McKinnon (Bayview)	50	\$127,251	N	Available July 1, 2003
Total		165	\$421,885		

Table 3c. Total Units and Costs for Shelters, 02-03 & 03-04				
	02-03		03-04	
	# of Beds	Cost	# of Beds	Cost
Current Shelters	1,419	\$6,962,776	1,419	\$6,962,776
Additional Shelters	-	\$0	165	\$421,885
Total	1,419	\$6,962,776	1,584	\$7,384,661

City and County of San Francisco

Department of Human Services



Trent Rhorer
Executive Director

Deputy Directors
Janice Anderson Santos
Jim Buick
Sally Kipper

June 5, 2003

Harvey M. Rose
Budget Analyst
San Francisco Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Mr. Rose:

Thank you for the opportunity to respond to your report on the Department of Human Services' plan to implement Proposition N. Your report details many of the complexities of implementing this reform of the County Adult Assistance Programs (CAAP) in San Francisco. These complexities are compounded by the relatively short time between the approval of Proposition N (November 2002) and the implementation date (July 1, 2003), by the public process which we have undertaken to assist us in the development of our plan and by the recent court decision invalidating part of Proposition N.

Your report highlights some of the uncertainties surrounding the implementation of Proposition N. We have attempted to address these uncertainties by developing a plan that is flexible. Your report states that the Department of Human Services' plan does not provide, as of July 1, shelter and meals to all of the homeless in San Francisco who are currently receiving cash assistance. We agree. We have purposely developed a phased implementation plan which gradually adds services in the form of housing, meals and supportive services throughout the next fiscal year, which is consistent with the language in Proposition N.

Our plan is based on various assumptions about caseloads and requests for services. Based on our assumptions, our plan shows that by the spring of 2004 there will be sufficient services in place to meet the needs of San Francisco's homeless who are receiving assistance under the CAAP programs. However, these assumptions can only be validated by actual experience. Therefore, we will be carefully monitoring our caseloads and services throughout the year and adjusting our plan to meet any unexpected needs.

Sincerely,

Trent Rhorer
Executive Director



